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MARLBOROUGH LINES LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

MARLBOROUGH LINES LIMITED - LINES BUSINESS**Financial Statements Prepared in Accord with The Electricity Information Disclosure Requirements 2004****STATEMENT OF FINANCIAL PERFORMANCE**

For the Year Ended 31 March 2006

	Notes	2006 \$000	2005 \$000
Operating Revenue			
Revenue from line/access charges		21,465	18,771
Revenue from "Other" business for services carried out by the line business (transfer payment)		-	-
Interest on cash, bank balances and short term investments		367	481
AC loss-rental rebates		597	267
Other operating revenue	2	4,008	2,440
Total Operating Revenue		26,437	21,959
Operating Expenditure			
Payment for transmission charges		3,392	3,413
Transfer payments to the "Other" business for:			
Asset maintenance		1,406	1,191
Consumer disconnection/reconnection services		-	-
Meter data		-	-
Consumer-based load control services		12	36
Royalty and patent expenses		-	-
Avoided transmission charges on account of own generation		-	-
Other goods and services		474	499
Total transfer payment to the "Other" business		1,892	1,726
Expense to entities that are not related parties for:			
Asset maintenance		495	694
Consumer disconnection/reconnection services		-	-
Meter data		-	-
Consumer-based load control services		-	-
Royalty and patent expenses		-	-
Total of specified expenses to non-related parties		495	694
Employee salaries, wages and redundancies		2,224	1,870
Consumer billing and information system expense		280	114
Depreciation on:			
System fixed assets		4,025	3,889
Other assets		1,020	726
Total depreciation	9	5,045	4,615
Amortisation of:			
Goodwill		-	-
Other intangibles		-	-
Total amortisation of intangibles		-	-
Corporate and administration		722	952
Human resource expenses		514	325
Marketing/advertising		42	83
Merger and acquisition expenses		-	-
Takeover defence expenses		-	-
Research and development expenses		-	-

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL PERFORMANCE (continued)

For the Year Ended 31 March 2006	Notes	2006 \$000	2005 \$000
Consultancy and legal expenses		87	92
Donations		26	14
Directors' fees		181	166
Auditors' fees:			
Audit fees paid to principal auditors		60	35
Audit fees paid to other auditors		-	-
Fees paid for other services provided by principal and other auditors		8	8
Total auditors' fees		68	43
Costs of offering credit:			
Bad debts written off		-	-
Increase in estimated doubtful debts		1	1
Total cost of offering credit		1	1
Local authority rates expense		66	61
AC loss-rentals rebates expense		-	-
Discount to consumers		4,170	4,100
Subvention payments		-	-
Unusual expenses		-	-
Other expenditure		648	532
Total Operating Expenditure		19,853	18,801
Operating Surplus Before Interest and Income Tax		6,584	3,158
Interest Expense			
Interest expense on borrowings		-	-
Financing charges related to finance leases		-	-
Other interest expense		1	1
Total Interest Expense		1	1
Operating Surplus Before Income Tax		6,583	3,157
Income Tax	3	1,589	1,376
Net Surplus After Tax		4,994	1,781

STATEMENT OF MOVEMENTS IN EQUITY

For the Year Ended 31 March 2006	Notes	2006 \$000	2005 \$000
Equity At Beginning Of Year		117,235	115,604
Net Surplus For Year		4,994	1,781
Revaluation adjustments	6	(580)	-
Total Recognised Revenues And Expenses For The Period		4,414	1,781
Dividend		(150)	(150)
Equity At End Of Year		121,499	117,235

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2006

	Notes	2006 \$000	2005 \$000
Current Assets			
Cash and bank balances		3,273	5,320
Short-term investments		-	-
Inventories		1,984	1,602
Accounts receivable	7	2,765	2,034
Other current assets		24	3
Total Current Assets		8,046	8,959
Fixed Assets			
System fixed assets		116,555	108,730
Consumer billing and information system assets		776	985
Motor vehicles		267	348
Office equipment		99	155
Land and buildings		5,030	5,097
Capital works under construction		398	557
Other fixed assets		339	330
Total Fixed Assets	9	123,464	116,202
Other Tangible Assets			
Total Tangible Assets		131,510	125,161
Intangible Assets			
Goodwill		-	-
Other intangibles		-	-
Total Intangible Assets		-	-
Total Assets		131,510	125,161
Current Liabilities			
Bank overdraft		-	-
Short-term borrowings		-	-
Payables and accruals	8,10	2,208	1,568
Provision for dividends payable		-	-
Provision for income tax		1,539	707
Other current liabilities		-	24
Total Current Liabilities		3,747	2,299
Non-current Liabilities			
Payables and accruals	10	123	119
Borrowings		-	-
Deferred tax	3	6,141	5,508
Other non-current liabilities		-	-
Total Non-current Liabilities		6,264	5,627
Equity			
Shareholders' equity			
Share capital	5	8,736	8,736
Retained earnings	6	23,524	18,680
Reserves	6	89,239	89,819
Total Shareholders' Equity		121,499	117,235
Minority interests in subsidiaries		-	-
Total Equity		121,499	117,235
Capital notes		-	-
Total Capital Funds		121,499	117,235
Total Equity and Liabilities		131,510	125,161

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2006

	Notes	2006 \$000	2005 \$000
Cash Flows from Operating Activities			
Cash Was Provided From:			
Receipts from customers		25,318	20,666
Interest Received		367	481
		25,685	21,147
Cash was applied to:			
Payments to Suppliers, Employees and Customers		(14,568)	(15,053)
Income Tax Paid		(124)	(966)
Interest Paid		(1)	(1)
		(14,693)	(16,020)
Net Cash Flows from Operating Activities		10,992	5,127
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds From Sale of Fixed Assets		-	38
		-	38
Cash was Applied To:			
Purchase of Fixed Assets		(12,889)	(6,203)
Net Cash Flows from Investing Activities		(12,889)	(6,165)
Cash Flows from Financing Activities			
Cash Was Applied to:			
Payment of Dividend		(150)	(150)
Net Cash Flows from Financing Activities		(150)	(150)
Net Decrease in Cash Held		(2,047)	(1,188)
Cash at Beginning of Year		5,320	6,508
Cash at End of Year		3,273	5,320
Reconciliation of Operating Surplus after Taxation with Cash Flows from Operating Activities			
Operating Surplus after Taxation		4,994	1,781
Non Cash Items			
Depreciation		5,045	4,615
Change in Future Income Tax Benefits		633	512
Change in Non Current Employee Entitlements		4	35
Loss on Sale of Fixed Assets		2	8
		10,678	6,951
Movements in Working Capital Items			
Decrease in Accounts Receivable		(752)	(812)
Increase in Inventories		(382)	(1,074)
Increase in Accounts Payable		616	164
(Decrease)/Increase in Taxation Payable		832	(102)
		314	(1,824)
Net Cash Flows from Operating Activities		10,992	5,127

The accompanying notes form an integral part of these financial statements.

MARLBOROUGH LINES LIMITED - LINES BUSINESS
Financial Statements Prepared in Accord with the Electricity Information Disclosure Requirements 2004
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2006

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with, and for the sole purpose of, requirement 6 of the Electricity Information Disclosure Requirements 2004. Accordingly these financial statements are for the Line Business Activities of Marlborough Lines Limited only. Marlborough Lines' contracting and investments business, with their associated revenue and costs, have been removed from these Financial Statements in accordance with the Requirements. These accounts are not comparable with the consolidated financial statements prepared and published with the Company's Annual Report. These accounts cannot and should not be used to assess the actual performance of the Company as they are prepared for the sole purpose of complying with the requirements. The contracting and other business activities which are removed from these accounts are required to function separately and produce commercial rates of return but will continue to be a core part of Marlborough Lines' activities.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

1.1 Goods and Services Tax (GST)

The statement of financial performance and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST with the exception of receivables and payables which include GST.

1.2 Operating revenue

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Other revenue includes interest income, property rentals and dividends received. Discounts paid to electricity consumers connected to the Company's network are shown separately in the Statement of Financial Performance.

1.3 Income Tax

Income tax expense recognises the current obligations and all amounts arising from differences between the accounting results and assessable income for the period. This is the liability method applied on a comprehensive basis.

1.4 Receivables

Receivables are stated at the amount they are expected to realise. An estimate for doubtful debts is made and bad debts are written off during the year in which they are identified.

1.5 Inventories and Work in Progress

Inventories predominantly comprise network system spares and materials and are valued on the basis of the lower of cost and net realisable value. Cost is determined on the basis of weighted average of purchase costs. Due allowance is made for damaged and obsolete inventory. Work in progress comprises the cost of direct materials and labour together with chargeable overheads.

1.6 Plant, Property and Equipment and Depreciation

Distribution system assets are valued at depreciated replacement cost. Land and buildings are valued at net current value. All revaluation surpluses are transferred directly to the asset revaluation reserves.

All other plant property and equipment is recorded at cost. The cost of assets constructed by the Company includes all materials used in construction, direct labour and direct overheads.

Where commitments arise offshore for capital purchases the exchange rates are fixed forward to minimise foreign currency risk. Any exchange variations are included in the statement of financial performance.

Plant property and equipment is depreciated in order to write off the cost less any estimated residual value over the expected economic lives. Depreciation rates are as follows:

Buildings - Straight line over 40 to 70 years

Reticulation System - Straight line over 15 to 70 years

Plant Equipment and Motor Vehicles - Diminishing value basis 2 to 20 years

1.7 Research and Investigation and Development Expenditure

Research and investigation costs are charged to expense in the year in which they are incurred.
Development expenditure is capitalised to the extent that future benefits are expected to accrue.

1.8 Employee Entitlements

Employee entitlements to salaries and wages, annual and long service leave and other benefits are recognised when they accrue to employees. Allowance is made for the present value of future staff retirement gratuity benefits. The calculations provide also for the probability of the employees completing the appropriate period of service.

1.9 Financial Instruments

Financial instruments carried in the statement of financial position include cash and bank balances, receivables and trade creditors. These instruments are generally carried at their estimated fair value. For example receivables are carried net of estimated doubtful receivables. The Company may also on occasions enter into foreign currency forward exchange contracts, in order to reduce exposure to fluctuations in foreign currency values in respect of equipment sourced offshore.

1.10 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Monetary items receivable or payable in a foreign currency, other than those resulting from short term transactions covered by forward exchange contracts, are translated at balance date at the closing rate. For transactions covered by short term forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transaction. Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance.

1.11 Comparative amounts

To ensure consistency with the current year, comparative figures have been reclassified where appropriate.

1.12 Changes in Accounting Policies

All policies have been applied on a basis consistent with previous years.

	2006	2005
	\$000's	\$000's
2. OPERATING REVENUE		
Other operating revenue includes:		
Donated Assets	3,067	1,932
Capital Contributions	858	481
Other operating revenue	83	27
	<u>4,008</u>	<u>2,440</u>
3. INCOME TAX		
3.1 Income Tax Expense		
Operating Surplus before Taxation	6,583	3,158
Add/(Deduct)		
Non Deductible Costs	4,119	3,975
Non Assessable Revenue	(5,026)	(2,962)
Taxable Income	5,676	4,171
Taxation Charge @ 33%	1,873	1,376
Prior Year Under/(Over) Provision	(284)	-
Tax Expense	<u>1,589</u>	<u>1,376</u>
The Income Tax Expense is represented by:		
Tax Payable in Respect of the Current Year	969	856
Deferred Tax Liability	620	520
	<u>1,589</u>	<u>1,376</u>

	2006	2005
	\$000's	\$000's
3.2 Future Income Tax Benefits / Deferred Taxation		
Balance at Beginning of Year	5,508	4,996
Prior Year Adjustments	13	-(8)
Deferred Tax Arising on Timing Differences	620	520
Balance at End of Year	6,141	5,508
4. <u>EARNINGS PER SHARE</u>		
Earnings per share is calculated by dividing the net surplus after taxation by the average number of shares on issue during the year.		
Average number of shares on issue	8,736	8,736
Net surplus per share	57 cents	20 cents
5. <u>SHARE CAPITAL</u>		
5.1 Marlborough Lines shares are held by the Trustees to the Marlborough Electric Power Trust.		
5.2 Issued and Paid up Capital ordinary \$1.00 shares	8,736	8,736
6. <u>RETAINED EARNINGS / REVALUATION RESERVES</u>		
Retained Earnings Balance at Beginning of Year	18,680	17,049
Net Surplus for the Year	4,994	1,781
Transfers to/from Other business	-	-
Dividends	(150)	(150)
Retained Earnings Balance at End of Year	23,524	18,680
Revaluations Reserve Balance at Beginning of Year	89,819	89,819
Revaluation adjustments	(580)	-
Revaluations Reserve Balance at End of Year	89,239	89,819
Retained Earnings and Revaluations Reserve Balance at End of Year	112,763	108,499
Distribution system assets were revalued as at 1 April 2003 to depreciated replacement cost (DRC). This valuation was completed in accord with the requirements of FRS 3 by PricewaterhouseCoopers and their valuation report is dated 11 May 2004. The company's land and building assets were also revalued to net current value. The total revaluation credit to reserves of \$94.352m was offset by a charge to deferred tax of \$4.533m representing the deferred tax liability on accumulated tax depreciation on revalued assets at 31 March 2003.		
The revaluation reserve comprises revaluations in the following categories:		
Land and Buildings	4,256	4,368
Reticulation System Assets	84,983	85,451
Total	89,239	89,819
7. <u>ACCOUNTS RECEIVABLE</u>		
The balance of Accounts Receivable comprises:		
Network and other trade debtors	2,262	1,520
GST Receivable	503	514
Total	2,765	2,034
8. <u>CREDITORS AND ACCRUALS</u>		
In current liabilities the balance of creditors and accruals comprises:		
Trade Creditors Including GST	2,048	1,417
Employee Entitlements (Annual Leave)	160	151
Total	2,208	1,568

9. PLANT PROPERTY AND EQUIPMENT	2006	2005
	\$000's	\$000's
9.1 Valuation		
The latest Government valuations for land and improvements dated September 2002 show the following values:		
Land	1,871	1,871
Improvements	3,827	3,827
9.2 Depreciation Charges		
Buildings	75	73
Reticulation System	4,026	3,889
Plant Equipment and Motor Vehicles	944	653
Total	5,045	4,615

9.3	Valuation	Accumulated Depreciation	31 Mar 2006 Net Book Value
Land	3,620	-	3,620
Buildings	9,614	(3,167)	6,447
Reticulation System	207,503	(96,339)	111,164
Plant and Equipment	4,594	(3,027)	1,567
Motor Vehicles	575	(308)	267
Capital Works in Progress	399	-	399
	226,305	(102,841)	123,464

Distribution system assets belonging to the company were revalued as at 1 April 2003 to depreciated replacement cost as assessed and certified by independent valuers PricewaterhouseCoopers. Land and buildings belonging to the company were revalued to net current value as at 1 April 2003 in accord with values provided by Ian Lyall and Chris Orchard of Hadley and Lyall Ltd. Upon revaluation a deferred tax liability totalling \$4.533m was created in respect of accumulated tax depreciation on revalued assets at 1 April 2003. The revaluation reserve balance at 31 March thus reflects the total revaluation adjustment of \$94.352m less the deferred tax adjustment of \$4.533m.

	Valuation	Accumulated Depreciation	31 Mar 2005 Net Book Value
Land	3,201	-	3,201
Buildings	5,967	(1,712)	4,255
Reticulation System	110,239	(3,868)	106,371
Plant and Equipment	4,228	(2,670)	1,558
Motor Vehicles	285	(25)	260
Capital Works in Progress	557	-	557
	124,477	(8,275)	116,202

9.4 Annual Valuation Reconciliation Report Year ending 31 March 2006 (Schedule 1 Part 8)	2006	2005
	\$000's	\$000's
System fixed assets at ODV at 31 March 2005	100,495	100,396
Add system fixed assets acquired during the Year at ODV	11,710	4,384
Less system fixed assets disposed of during the year at ODV	(774)	(349)
Less depreciation on system fixed assets at ODV	(3,562)	(3,936)
Add revaluations of system fixed assets	-	-
Equals system fixed assets at ODV at 31 March 2006	107,869	100,495

The above depreciation charge includes a credit of approximately \$255,000 which relates to the 2005 valuation, when the minimum remaining life was taken to be two years, raising the depreciation charge for the year and lowering the ODV; the minimum remaining life has now been reset to three years.

10. PROVISIONS

The following movements were recorded in provisions held by Marlborough Lines Limited during the 2005/2006 financial year.

	Opening balance	movement	Closing balance
Provision for Staff Leave	151	9	160
Provision for Retirement Gratuities	119	4	123

11. COMMITMENTS**11.1 Capital Commitments.**

	2006 \$000's	2005 \$000's
Marlborough Lines capital expenditure committed to at balance date but not recognised in the financial statements	2,051	2,021

11.2 Lease Commitments

Commitments under present lease agreements over the next five years for the parent company are presently estimated as follows: less than 1 year - \$11,628, less than 2 years - \$11,628, 3-5 years - \$25,883, greater than 5 years - \$25,770. The Company will continue to incur lease costs for a number of substation and repeater sites beyond 2011.

12. CONTINGENT LIABILITIES

Marlborough Lines has no contingent liabilities as at 31 March 2006. (2005 Nil)

13. FINANCIAL INSTRUMENTS**13.1 Credit Risk**

Credit risk is the risk that an outside party will not be able to meet its obligations to the Company. Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash deposits, short term deposits and trade receivables. The maximum credit risk is the book value of these financial instruments; however, the Company considers the risk of non-recovery of these amounts to be minimal. The Company places its cash deposits with high credit quality financial institutions. Credit risk exists in respect of accounts receivable. The Company is able to impose bond requirements on retailers trading across its network in accord with the use of system agreements held with the retailers.

13.2 Interest Rate Risk

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The Groups short term deposits are at fixed interest rates and mature within one year.

13.3 Currency Risk

Currency risk is the risk that amounts payable in foreign currencies will change due to movements in exchange rates. The Company enters into foreign currency forward exchange contracts in order to manage its exposure to fluctuations in foreign currency exchange rates on the purchase of specific plant and equipment items from overseas suppliers. Total cover under forward exchange contracts at balance date was \$nil (2005 - \$nil).

13.4 Fair Values

The carrying amount of cash, short term deposits and trade receivables reflect their fair values. The fair value of foreign currency forward exchange contracts represents the estimated amount the Company would receive on termination of the contract at balance date, thereby taking into account the unrealised gain of open contracts.

		2006	2005
14. <u>RELATED PARTIES</u>		\$000's	\$000's
	Transactions with these related parties are for the period 1 April 2005 to 31 March 2006. No related party debt has been written off or forgiven.		
14.1 Marlborough Electric Power Trust	The Trustees of the Marlborough Electric Power Trust hold all of the Company's shares. The Company may from time to time advance funds of a short term nature to the Trust; the Company also pays dividends to the same Trust.		
	Dividends Paid to the Trust	150	150
	Administrative Costs Charged to the Trust	-	-
	Amounts Owed by the Trust to the Company as at 31 March	-	-
14.2 Parties Associated with Directors	The company undertook one transaction with a party associated with a director of Marlborough Lines Limited. The transaction involved the provision of legal services. The transaction was at commercial rates.		
	D W R Dew (Dew and Company)	<1	<1
14.3 Marlborough Lines' Contracting business	The contracting division of Marlborough Lines Limited has provided the following services at commercial rates:		
	Construction of sub transmission assets	91	5
	Construction of zone substations	44	105
	Construction of distribution lines and cables	575	286
	Construction of medium voltage switchgear	28	24
	Construction of distribution substations	240	20
	Construction of low voltage reticulation	136	124
	Maintenance of assets	1406	1,191
	Consumer Connections & Disconnections	-	-
	Other services	486	535
	The Contracting Division of Marlborough Lines Limited has paid for the following:		
	Other services	4	94
	At year end there were no outstanding balances (31 March 2005 nil)		
15. <u>EVENTS SUBSEQUENT TO BALANCE DATE</u>			
	The Directors are not aware of any matter or circumstance since the end of the financial year not otherwise dealt with in these financial statements, that has or may significantly affect the operations of Marlborough Lines.		

MARLBOROUGH LINES LIMITED - LINES BUSINESS

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	6,584				
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIIT)	6,584				
Interest on cash, bank balances, and short-term investments (ISTI)	367				
OSBIIT minus ISTI	6,217	a	6,217		6,217
Net surplus after tax from financial statements	4,994				
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	4,994	n		4,994	
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	4,025				
Depreciation of SFA at ODV (y)	3,562				
ODV depreciation adjustment	463	d	add 463	add 463	add 463
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	-121	q			deduct -121
Revaluations	0	r			add 0
Income tax	1,589	p			deduct 1,589
Numerator			6,680	5,457	5,212
			$OSBIIT^{ADJ} = a+g+s+d$	$NSAT^{ADJ} = n+g+s-s^*+d$	$OSBIIT^{ADJ} = a+g-q+r+s+d-p-s^*t$
Fixed assets at end of previous financial year (FA ₀)	116,202				
Fixed assets at end of current financial year (FA ₁)	123,464				
Adjusted net working capital at end of previous financial year (ANWC ₀)	2,068				
Adjusted net working capital at end of current financial year (ANWC ₁)	2,541				
Average total funds employed (ATFE)	122,138	c	122,138		122,138
Total equity at end of previous financial year (TE ₀)	117,235				
Total equity at end of current financial year (TE ₁)	121,499				
Average total equity	119,367	k		119,367	
WUC at end of previous financial year (WUC ₀)	557				
WUC at end of current financial year (WUC ₁)	398				
Average total works under construction	478	e	deduct 478	deduct 478	deduct 478
Revaluations	0	r			
Half of revaluations	0	r/2			deduct 0
Intangible assets at end of previous financial year (IA ₀)	0				
Intangible assets at end of current financial year (IA ₁)	0				
Average total intangible asset	0	m		deduct 0	
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	108,730				
System fixed assets at end of current financial year at book value (SFA _{bv1})	116,555				
Average value of system fixed assets at book value	112,643	f	deduct 112,643	deduct 112,643	deduct 112,643
System Fixed assets at year beginning at ODV value (SFA _{odv0})	100,495				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	107,869				
Average value of system fixed assets at ODV value	104,182	h	add 104,182	add 104,182	add 104,182
Denominator			113,199	110,428	113,199
			$ATFE^{ADJ} = c-e-f+h$	$AveTE^{ADJ} = k-e-m+v-$	$ATFE^{ADJ} = c-e-1/2r-f+h$
Financial Performance Measure:			5.90	4.94	4.60
			$ROF = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ} / ATE^{ADJ} \times 100$	$ROI = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

MARLBOROUGH LINES LIMITED - LINES BUSINESS
PERFORMANCE MEASURES AND STATISTICS
Prepared in Accordance with The Electricity Information Disclosure Requirements 2004

REQUIREMENT 14 - FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1. Financial Performance Measures				
(a) Return on Funds	5.90%	2.43%	1.96%	0.40%
(b) Return on Equity	4.94%	1.61%	1.10%	-0.08%
(c) Return on Investment	4.60%	1.31%	28.23%	5.14%
ROI Excluding Revaluations	4.60%	1.31%	0.86%	-0.28%

N In 2004, Marlborough Lines changed its accounting policy in respect of the recognition of distribution assets
o vested from consumers, crediting the fair value of these assets together with capital contributions received to the
t Statement of Financial Performance.

e The financial performance measures for the 2003 year has not been adjusted to reflect this change in accounting
: policy. Additionally, the performance measures for 2004 have been calculated using opening balances that have
 not been adjusted for this change.

2. Efficiency Performance Measures

(a) Direct Line Costs per Kilometre	\$1,093	\$1,082	\$1,005	\$752
(b) Indirect Line Costs per Consumer - including one off acquisition cost	\$163	\$144	\$117	\$104 \$135

REQUIREMENT 20 - ENERGY DELIVERY EFFICIENCY PERFORMANCE
MEASURES AND STATISTICS

	2006	2005	2004	2003
1. Energy Delivery Efficiency Performance Measures				
(a) Load Factor	68.7%	68.0%	67.6%	67.3%
(b) Loss Ratio	8.5%	6.6%	5.9%	6.7%
(c) Capacity Utilisation	22.0%	22.5%	22.7%	23.8%
2. Statistics				
(a) System Length Breakdown in Kilometres				kms
33kV	290	298	298	324
11kV	2,186	2,168	2,153	2,092
6.6kV	50	49	49	51
LV	687	654	641	706
Total	<u>3,213</u>	<u>3,169</u>	<u>3,141</u>	<u>3,173</u>
(b) Circuit Length of Overhead System in Kilometres				kms
33kV	286	294	294	320
11kV	2,086	2,090	2,080	2,013
6.6kV	50	49	49	51
LV	452	457	458	537
Total	<u>2,873</u>	<u>2,890</u>	<u>2,881</u>	<u>2,921</u>
(c) Circuit Length of Underground System in Kilometres				kms
33kV	4	4	4	4
11kV	100	78	72	79
6.6kV	-	-	-	-
LV	235	197	183	169
Total	<u>340</u>	<u>279</u>	<u>260</u>	<u>252</u>
(d) Transformer Capacity in kVA	265,000	256,327	241,193	231,853
(e) Maximum demand in kW	58,226	57,590	54,814	55,092
(f) Total Electricity Entering the System in kWh (before losses)	350,177,390	343,022,932	325,697,527	325,014,378
(g) Total Electricity Supplied from the System on behalf of each Generator and Retailer in kWh (after losses)				
Retailer B	219,947,696	214,611,503	206,965,060	217,894,998
Retailer C	61,599,453	55,678,936	58,077,922	59,720,229
Retailer D	1,614,994	1,881,472	1,508,728	1,674,182
Retailer E	-	-	-	-
Retailer F	12,096,660	16,249,036	8,414,488	1,412,667
Retailer G	35,981,466	31,858,823	31,455,535	22,665,538
Total	<u>331,240,269</u>	<u>320,279,770</u>	<u>306,421,733</u>	<u>303,367,614</u>
These energy volumes have been provided by energy retailers; Marlborough Lines cannot assure readers as to the accuracy of this information.				
(h) Total Consumers at year end	22,932	22,547	22,251	21,417
Average Consumers for year	22,740	22,399	21,834	21,228

Total Consumers includes a small number of installations where consumption is estimated on the basis of known load rather than recorded by metering equipment.

REQUIREMENT 21 - RELIABILITY PERFORMANCE MEASURES

		targets					
		2008-10	2007	2006	2005	2004	2003
1.- 3.	Total Interruptions and Interruption Targets by Class						
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	190	190	267	259	277	241
(b)	Class C - MLL Unplanned	230	230	294	233	219	210
	Class D - Transpower Unplanned			-	6	11	3
	Class E - MLL Generation Unplanned			-	-	-	-
	Class F - Other Generation Unplanned			-	-	-	-
	Class G - Other Unplanned			-	-	-	-
	Class H - Other Planned			-	-	-	-
	Class I - Other than above			-	-	-	-
	Total			561	498	507	454
4.	Percentage of Class C Interruptions not Restored within -						
(a)	Three hours			25.2%	27.9%	29.7%	21.4%
(b)	24 hours			0.7%	3.0%	3.2%	0.5%
	Faults (Class C) per 100 Kilometres						
5.	Total number of faults per 100 Kilometres					faults/100 km	
	33 kV	2.8	2.8	5.2	2.3	3.0	0.9
	11kV	9.6	9.9	12.8	10.4	9.7	9.8
	6.6kV	-	-	-	-	4.1	2.0
	Total	8.7	8.9	11.6	9.3	8.8	8.5
6.	Faults (Class C) per 100 Kilometres Underground					faults/100 km	
	33 kV			-	-	-	-
	11kV			-	-	-	-
	Total			-	-	-	-
7.	Faults (Class C) per 100 Kilometres Overhead					faults/100 km	
	33 kV			5.2	2.4	3.1	0.9
	11kV			13.4	10.8	10.0	10.2
	6.6kV			-	-	4.1	2.0
	Total			12.1	8.6	9.0	8.8

		targets					
		2008-10	2007	2006	2005	2004	2003
8.	SAIDI - total interruptions			260.2	224.9	222.4	203.8
9.- 11.	SAIDI per interruption class						consumer minutes
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	64.4	66.6	93.6	93.4	52.5	74.1
(b)	Class C - MLL Unplanned	113.2	117.0	166.5	119.8	141.2	125.7
	Class D - Transpower Unplanned			-	11.6	28.7	5.9
	Class E - MLL Generation Unplanned			-	-	-	-
	Class F - Other Generation Unplanned			-	-	-	-
	Class G - Other Unplanned			-	-	-	-
	Class H - Other Planned			-	-	-	-
	Class I - Other than above			-	-	-	-
12.	SAIFI - total interruptions			2.9	2.5	3.4	2.1
13.- 15.	SAIFI per interruption class						consumer minutes
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	0.3	0.3	0.3	0.4	0.3	0.3
(b)	Class C - MLL Unplanned	1.5	1.6	2.5	1.5	1.4	1.5
	Class D - Transpower Unplanned			-	0.6	1.7	0.3
	Class E - MLL Generation Unplanned			-	-	-	-
	Class F - Other Generation Unplanned			-	-	-	-
	Class G - Other Unplanned			-	-	-	-
	Class H - Other Planned			-	-	-	-
	Class I - Other than above			-	-	-	-
16.	CAIDI - total interruptions			89.8	89.0	65.7	96.1
17.- 19.	CAIDI per interruption class						consumer minutes
	Class A - Transpower Planned			-	-	-	-
	Class B - MLL Planned	196.7	196.7	268.7	254.3	156.0	232.6
	Class C - MLL Unplanned	73.3	73.3	65.4	78.8	101.3	83.1
	Class D - Transpower Unplanned			-	18.2	17.3	19.0
	Class E - MLL Generation Unplanned			-	-	-	-
	Class F - Other Generation Unplanned			-	-	-	-
	Class G - Other Unplanned			-	-	-	-
	Class H - Other Planned			-	-	-	-
	Class I - Other than above			-	-	-	-

All SAIDI, SAIFI and CAIDI figures have been calculated from average, rather than year end, consumer numbers. This is the methodology prescribed in the Commerce Act (Electricity Industry Distribution Threshold) Notice 2004. Prior years figures have been restated in accord with that method although the changes are not material.

AUDITOR'S REPORT**TO THE READERS OF THE FINANCIAL STATEMENTS OF
MARLBOROUGH LINES LIMITED LINES BUSINESS FOR THE YEAR
ENDED 31 MARCH 2006**

We have audited the attached financial statements of Marlborough Lines Limited Lines Business. The financial statements provide information about the past financial performance of Marlborough Lines Limited Lines Business and its financial position as at 31 March 2006. This information is stated in accordance with the statement of accounting policies.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Marlborough Lines Limited Lines Business as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Requirement 30 of the Electricity (Information Disclosure) Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Michael Wilkes of Deloitte to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Marlborough Lines Limited Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the New Zealand Institute of Chartered Accountants. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

In addition to issuing audit certificates pursuant to the Electricity Information Disclosure Requirements 2004 we have carried out other audit assignments for Marlborough Lines Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2006. This assignment is compatible with those independence requirements. Other than this assignment we have no relationship with or interest in the Marlborough Lines Limited.

Deloitte**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been maintained by Marlborough Lines Limited Lines Business as far as appears from our examination of those records; and
- the attached financial statements of Marlborough Lines Limited Lines Business;
 - a) comply with generally accepted accounting practice; and
 - b) give a true and fair view of Marlborough Lines Limited Lines Business' financial position as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date; and
 - c) comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 22 November 2006 and our unqualified opinion is expressed as at that date.



Michael Wilkes
Deloitte
Appointed Auditor
On behalf of the Auditor-General
Wellington, New Zealand

**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF
MARLBOROUGH LINES LIMITED LINES BUSINESS**

We have examined the information being:

- (a) a derivation table; and
- (b) the annual ODV reconciliation report; and
- (c) financial performance measures; and
- (d) financial components of the efficiency performance measures,

that were prepared by Marlborough Lines Limited Lines Business and dated 31 March 2006 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004 except for requirement 14(2)b that requires comparative information for financial performance measures to be adjusted so as to be consistent with accounting policies applied in the current financial year. The non-compliance with requirement 14(2)b of the Commerce Commission's Electricity Information Disclosure Requirements 2004 impacts on the financial performance measure in Clause 1 of Part 3 of Schedule 1 as outlined on each schedule.



Michael Wilkes
Deloitte
Appointed Auditor
On behalf of the Auditor-General
Wellington, New Zealand
22 November 2006

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES,
AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES (OTHER THAN
TRANSPOWER)**

We, Kenneth John Forrest and David William Richard Dew, directors of Marlborough Lines Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-

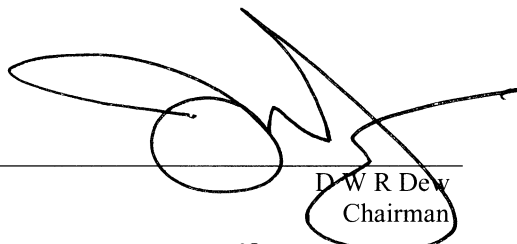
- (a) The attached audited financial statements of Marlborough Lines Limited prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Marlborough Lines Limited, and having been prepared for the purposes of requirements 14, 15, 20, and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2006.



K J Forrest
Managing Director

22 November 2006



D W R Dew
Chairman

22 November 2006